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REALIZED NET FARM INCOME UP SLIGHTLY IN 1964

Realized net farm income of farm operators totaled \$12.6 billion in 1964, up slightly from the previous year but the same as in 1961 and 1962. This rise in 1964 resulted from an increase in total cash receipts that more than offset a smaller-than-usual rise in farm

production expenses. It does not include an adjustment for the net value of the change in crop and livestock inventories of the Nation's farmers.

With realized net income in the aggregate rising slightly last year, and



with a continued decline in the number of farms, realized net income per farm from farming was at a record high of \$3,642 in 1964 compared with \$3,504 in the previous year. Net income per farm has risen sharply over the past 4 years because of the marked stability in aggregate income and the decline in number of farms. Income per farm was almost a fourth higher than in 1960.

The disposable personal income per capita of the farm population from farm and nonfarm sources combined rose to an estimated \$1,405 in 1964 compared with \$1,376 in the previous year. The increase was mainly the result of nonfarm opportunities provided by continued expansion in the general economy and the continued decline in farm population. However, despite the gain in the per capita disposable personal income of the farm population in 1964, it remained at about three-fifths of the average disposable personal income per capita of the nonfarm population.

Total cash receipts from farming (marketings plus Government payments) in 1964 increased by about \$300 million from 1963 to a level of \$38.9 billion.

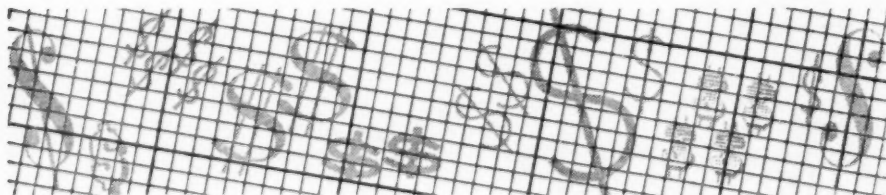
Government payments to farmers were up almost \$500 million, more than offsetting a drop in cash receipts from farm marketings. Gross income realized from farming rose to a record \$42 billion last year, up about \$300 million from the previous year.

Farm production expenses were up about \$150 million in 1964, a smaller-than-usual rise. Rising taxes, interest charges, depreciation, and other increased outlays from some production items of nonfarm origin more than offset a decrease in expenditures for items of farm origin and hired labor.

Cash receipts from farm marketings in 1964 were down fractionally from the previous year. Farmers received \$36,748 million from marketings last year according to preliminary estimates. The volume of marketings was larger in 1964 but the average of farm prices received was down about 2.5 percent. Receipts from livestock and livestock products totaled \$19,928 million, \$48 million more than in 1963. Crop receipts totaled \$16,820 million, down \$225 million from the previous year.

Total Government payments to farmers were \$2,168 million in 1964 compared with \$1,686 million in 1963. Wheat Program payments to participating producers were about double the \$214 million paid out in 1963, mainly because of payments for marketing certificates.

Payments under the Feed Grain Program last year totaled almost \$1.2 billion, up about \$320 million from 1963. Cotton growers participating in the Domestic Allotment Program for 1964 received about \$40 million; this program was not in effect in 1963. Sugar Act payments also increased but Soil Bank and Wool Act payments declined

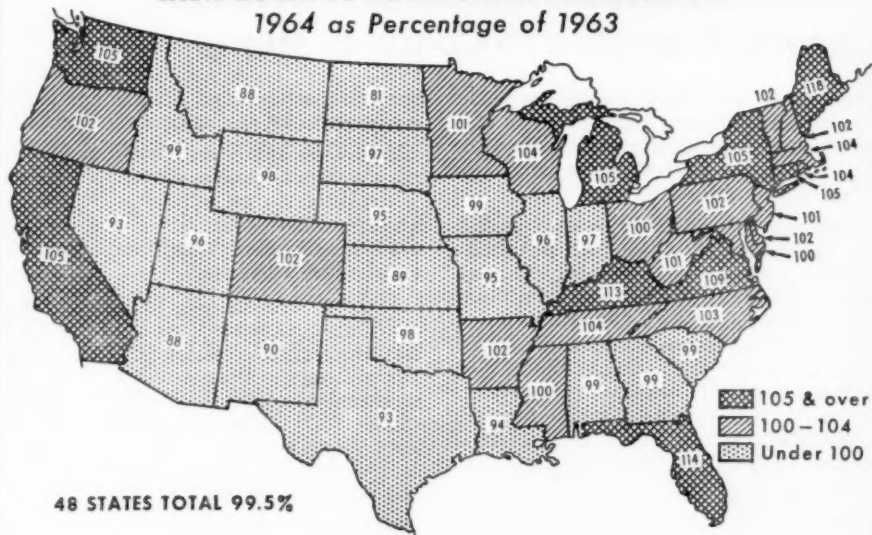


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CASH RECEIPTS FROM FARM MARKETINGS

1964 as Percentage of 1963



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in 1964. Other major programs showed little change from a year earlier.

Nonmoney income realized by the Nation's farmers is estimated at \$3,096 million for last year, not much different from 1963. The value of home consumption of farm products dropped last year because of the continued decline in the number of farm families and lower farm prices. The imputed gross rental value of farm dwellings was up in 1964 as farm real estate values and upkeep costs continued to rise.

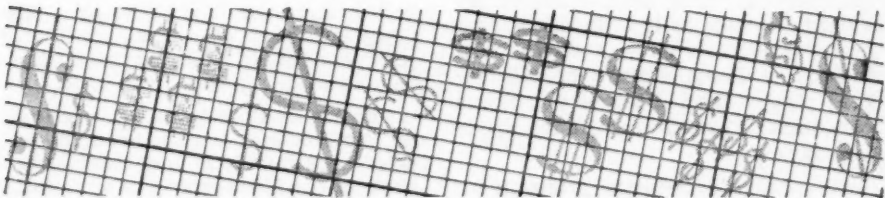
Because expenses rose less than realized gross income in 1964, realized net farm income increased more than \$100 million to an estimated level of \$12.6 billion. This was the fourth consecutive year in which realized net farm

income has shown little change. Realized net farm income in 1964 averaged about 30 percent of realized gross farm income, about the same as in 1963, but somewhat less than in most recent years.

Cash receipts from farm marketings in 1964 were higher than a year earlier in the South Atlantic, North Atlantic, and Western regions of the United States and little changed in the East North Central region. They were lower in the West North Central and South Central regions.

The increase from a year earlier was largest in the South Atlantic region largely because of substantially higher receipts in Florida and Virginia.

Mardy Myers
Economic Research Service



THE RICE SITUATION . . .

1964 U.S. Rice Crop Largest in History Exports Expected to Continue Heavy

A record 1964 rice crop and prospects for continued heavy exports, much like last year, dominate the outlook for U.S. rice during the 1964-65 marketing year that began August 1, 1964.

The record high 1964 rice crop totaled an estimated 73.1 million hundredweight, nearly 3 million above the previous record set in 1963 and 23 million larger than average. The 1964 record resulted from higher yields and a slight increase in acreage. Although the 1964 acreage allotment was unchanged from that of the previous year, growers planted a higher proportion of the total than they did a year earlier.

Per-acre harvested yields averaged 4,095 pounds—127 above a year earlier and 778 pounds above average. Yields were up in both Texas and California, unchanged in Arkansas, but slightly lower in Louisiana.

Production of medium grains increased slightly over 1963 and totaled an estimated 36.3 million hundredweight, about half the total crop.

The August 1, 1964, carryover, along with the 1964 crop and an allowance for imports, provides a near record rice supply of 80.7 million hundredweight for 1964-65. Imports are expected to be negligible as they have been for the past two marketing years. This year's supply is moderately larger than the 1963-64 supply but is about 4 million hundredweight smaller than the record 1956-57 supply of 84.5 million hundredweight, when surpluses had accumulated for several years.

The use of rice for food in the United States during 1964-65 is expected to continue its long-time uptrend. It is currently at 23.3 million hundredweight, slightly higher than last year and substantially above average. The increasing disappearance of rice for food results from a stable per capita consumption and the continuing rise in population.

Use of rice for industry, primarily for

beer production, and seed is currently expected to be the same as in 1963-64.

Based on these estimates, total domestic disappearance of rice in 1964-65 is expected to be almost 29.5 million hundredweight—slightly above that of 1963-64 and nearly 2.5 million hundredweight above average.

U.S. exports of rice in 1964-65 are currently estimated at 41.5 million hundredweight (rough basis), fractionally larger than the record of the past season. Most exports are in milled form—30.5 million hundredweight in 1963-64 on a milled basis. This year a larger proportion of exports is expected to be shipped under P.L. 480.

Although the outlook for commercial exports in 1964-65 is not as good as last year, they likely will be at the level of other recent years.

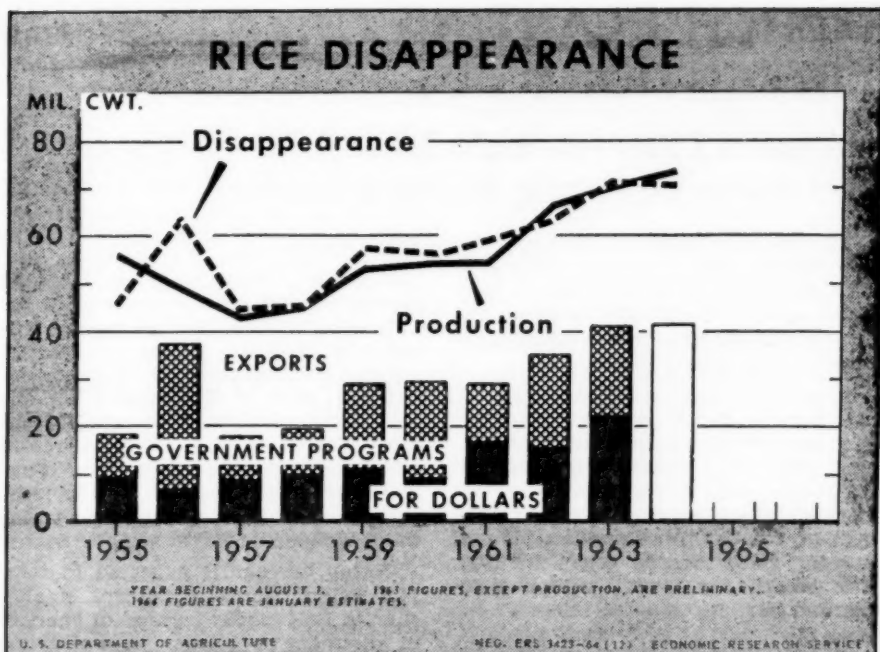
Based on current commitments, India will again be our largest individual taker of rice in 1964-65—all of this under the Food-for-Peace Program.

U.S. milled rice exports to all continents increased during 1963-64. Europe increased its taking of U.S. rice by about 2 million hundredweight, and shipments to Western Hemisphere and Asian countries each increased more than a million hundredweight. Almost all U.S. rice exports are milled to some degree.

With total disappearance expected to total 71 million hundredweight, in 1964-65, the rice carryover on August 1, 1965, may be about 9.7 million hundredweight, the largest since August 1, 1961, but well below average.

The national acreage allotment for the 1965 crop is 1,818,638 acres, up slightly from the 1964 allotment. The slight increase is in the unapportioned reserve because State acreage allotments are unchanged from 1964.

The national average support price for the 1965 crop is \$4.50 per hundredweight of rough rice, 21 cents less than that for the 1964 crop. The announced



support price is about 38 cents above the minimum level permitted for the 1965 crop, based on 65 percent of the December 1964 parity.

In announcing the allotments and loan rate, USDA stated that the 1965 Rice Program will generally maintain producer returns at the levels of recent years.

Farm marketing quotas for individual farms staying within their allotments will be the actual production from the allotments. Growers who exceed their farm acreage allotments will be subject to marketing quota penalties. The penalty on excess production would amount to 65 percent of the parity price for rice as of June 15, 1965.

The 1964-65 world rice crop, excluding Communist Asia, is estimated at a record 164.1 million metric tons of rough rice, compared with 162.6 million in 1963-64.

Production in Asia, where 88 percent of the non-Communist world's rice is grown, is forecast at about the 1963-64 record level of 144.4 million tons. Outstanding rice crops are also forecast for the United States, United Arab Republic, and Communist China.

The traditional exporting countries in Asia—Thailand, Burma, South Vietnam, Cambodia, Taiwan, and South Korea—have crops near the high 1963-64 levels. These six countries account for about two-thirds of the total world exports.

The FAO of the United Nations reports that Communist China produced about 80 million tons of rice in 1963, no higher than produced 7 years ago.

A total crop of 80 million tons or more in Communist China could bring about substantial increases in that country's exports. If this should happen, world export availabilities would be much larger than in 1964.

Larger crops in 1964-65 are forecast for the exporting countries of the United States, the United Arab Republic, Italy, and Australia.

Demand for foreign rice will continue strong in the principal importing countries of Asia. Increases in both acreage and yield in these countries and resulting increases in production have failed to satisfy growing domestic needs.

William Askew
Economic Research Service

MARCH PLANTING INTENTIONS . . .

Nation's Total Acreage Near 1964 Figure But Some Dramatic Shifts Indicated

The Nation's farmers intend to plant 257 million acres of the 17 crops covered by the March 1 planting intentions survey. This total is about the same as in 1964 but there are some dramatic shifts among crops.

If growers carry out their plans for the 17 crops, and allowance is made for the other crops not surveyed in March, the indicated planted acreage of all crops will total 307 million acres for 1965, slightly more than last year's 306 million, but the third smallest planted acreage since records began in 1929. The record low is 301 million acres planted in 1961.

Of the spring planted crops, soybeans continue to lead in acreage expansion, 2.6 million acres above last year. Sorghum is second, increasing two-thirds of a million acres. Other crops with larger acreages expected for 1965 are all hay, potatoes, sweetpotatoes, and dry beans. Oats leads the reduction, decreasing 1.5 million acres, followed closely by a 1.4 million acre decrease in barley. Cotton and corn each show expected declines of about one-half million acres from 1964. Smaller acreages also are indicated for tobacco, flaxseed, spring wheat, sugar beets, dry peas, rice, and peanuts. Acreage estimates made in December indicated 4 percent more acreage of winter wheat but a 6 percent decline in rye seedings.

Growers' plans for 1965 crop acreages were reported during the sign up period for the 1965 Feed Grain, Spring Wheat and Cotton Programs. Farmers have had experience with these programs and it is expected that their planting plans included current decisions on participation in these programs. However, planting intentions may be altered by later decisions about Government programs, considerations of weather, labor prospects, and other economic factors during the spring planting season.

OIL CROPS

Soybean growers intend to plant 34 million acres, 8 percent more acres for 1965—the fifth consecutive year of record high acreages. The increase in soybean acreage more than offsets declines in each of the three other oilseed crops. Indicated acreage for the four oilseeds is 52.9 million acres—4 percent greater than last year. Soybean producers expect to increase acreages in all regions except the minor-producing North Atlantic States.

Cotton acreage is expected to total 14.3 million acres—4 percent smaller than in 1964 mostly because of changes in allotment programs. Peanut growers plan to plant 1.5 million acres, only a slight decline from last year because allotment acreages are basically unchanged. The Virginia-Carolina acreage is expected to be unchanged but an increase in the Southeast, chiefly Alabama, about offsets a decline in New Mexico in the southwestern peanut area. Flaxseed producers indicate a 4.5 percent decline in acreage and less acreage is in prospect for each of the primary producing States of Minnesota and the Dakotas.

FEED GRAINS

Producers' plans on March 1 indicate a total feed grain acreage of 120.3 million acres—2 percent less than last year and 13 percent below average. Decreases in barley, at 12 percent, and oats, at 6 percent, accounted for most of the drop in acreage. Corn acreage is expected to decrease 1 percent to 66.9 million, but an increase of 4 percent is indicated for sorghum plantings—17.5 million acres.

The provision for substitution of wheat for feed grain acreage, on farms participating in both the 1965 Wheat and Feed Grain Programs, is a major factor in the reduction of corn acreages in the Plains States and accounts for

much of the drop in barley and oats acreage. In the Southern States, the expansion of soybean acreage results partly from reduced plantings of feed grains.

Corn acreages are expected to increase in the eastern Corn Belt, but all West North Central States, except Iowa, show smaller acreages. Barley acreages dropped in the important North Central and Western producing areas, but show a greater percentage decline in the less important South Central States. With the exception of North Dakota, growers plan for less acreage of oats in all States in the major producing North Central region.

WHEAT

Expansion of winter wheat acreage pushed the acreage seeded or to be seeded to food grains 3 percent above last year and 5 percent more than average. Seeded acreage of winter wheat, the most important food grain, is 4 percent larger than a year earlier, but spring wheat acreage is expected to drop to 11.8 million acres. Durum acreage shows a decline, 2 percent, while other spring wheat acreage is about the same as in 1964. Seeded acreage of rye is 6 percent smaller than a year earlier, and rice acreage is expected to decline slightly.

HAY

All regions except the South Atlantic plan to cut as much or more hay acreage than a year earlier. Appreciable increases are expected in some of the Plains States where hay supplies have been depleted. In the North Central Region, where over half of the Nation's hay is produced, an increase of 1 percent is expected. The North Atlantic area expects about the same hay acreage, but farmers indicate expansion in silage and other forage crops to meet forage needs. Hay acreage in the South Atlantic is lower because of higher hay stocks and winter weather

has favored other forages. The South Central area expects a small increase in hay acreage. Western States intend to increase hay acreage. Sharpest expansion is expected in Colorado, where supplies were lowered by dry weather last year, and in Montana, where winter feeding requirements have drawn heavily on supplies.

Nationwide, farmers plan to cut hay from 68.4 million acres this year, slightly more than last year and 2 percent more than average.

TOBACCO AND SUGAR BEETS

The intended acreage of all tobacco is 921,900 acres, nearly 15 percent less than last year and the smallest planted since 1890. Decreases from last year are expected in all major types of tobacco except cigar filler and cigar wrapper, largely because of reductions in allotments. Prospective acreage of sugar beets is the second largest of record, but 5 percent less than last year's high because national acreage limitations restricted sugar beet acreage for the first time since 1960.

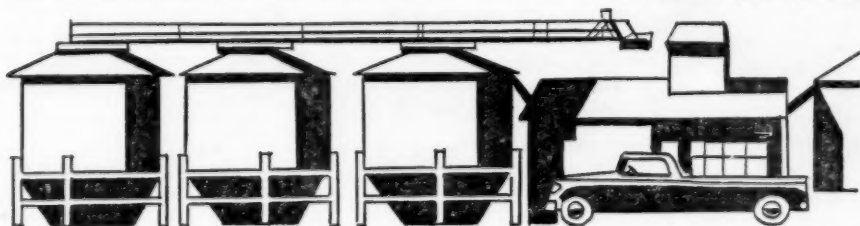
DRY PEAS AND BEANS

Growers of dry peas indicate a reduction of 13 percent. Dry beans producers plan a 4-percent rise in acreage, increasing in most producing areas except New York.

POTATOES

March 1 indications of potato acreage for 1965 call for a 7-percent increase from last year. Larger acreages are expected for each seasonal group except early summer potatoes. Current intentions for the dominant late summer and fall crop indicate nearly a 7-percent expansion, with increases in 22 of the 33 producing States. Sweetpotato growers also plan an expansion and plan to increase acreage 4 percent above last year.

Byron R. Bookhout
Statistical Reporting Service



outlook



Based on Information Available on March 31, 1965

FOOD CONSUMPTION

Per capita consumption of food is expected to make noticeable gains throughout the world during the 1960 decade, reflecting an increase not only in calorie intake but also an upgrading of the diet through greater consumption of foods such as meat, dairy products, fruits, and vegetables. The greatest diet improvements are expected for the countries of Northern Europe, Southern Europe, U.S.S.R. and Japan.

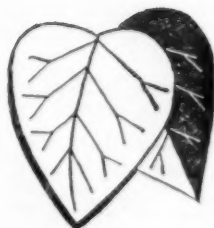


FOOD EXPENDITURES

Prospects for 1964 point to an additional rise at a slower rate in consumer spending. The gradual gain in population will account for part of the increase and consumers likely will keep demanding extra services with their food products. But, little change is expected in per capita food use or in retail prices. Food expenditures last year accounted for 18.5 percent of after-tax income. This will probably drop slightly, as it has for several years, to approximately 18 percent in 1965.

TOBACCO INTENTIONS

Tobacco growers intend to plant about 15 percent fewer acres than in 1964—smallest since 1890. The 1965 acreage allotments of the two big-volume cigarette tobaccos have been cut below 1964—flue-cured, 19.5 percent, and burley, 10 percent—because of record supplies. However, if Congress enacts legislation for an acreage-poundage program and two-thirds of the flue-cured growers voting in referendum favor it, 1965 flue-cured acreage would be above March intentions.



NEW U.S. MILK PRODUCTION RECORD IN PROSPECT FOR THIS YEAR

Milk production in the United States this year may reach a billion pounds above the record 126.6 billion produced in 1964. Heavy grain feeding this year is raising production gains per cow above the 1963-64 average, and milk cow numbers are declining more slowly than a year ago because of the relatively favorable milk-feed and milk-beef price ratios in 1964.

There were 17.6 million milk cows and heifers 2 years old and older on the Nation's farms on the first of this year—a decline of 2.7 percent from a year earlier and the third consecutive year of substantial decline. The number of milk cows will continue downward this year but probably at a slower rate.

February 1965 prices received by farmers for all milk at wholesale averaged \$4.28 per 100 pounds, 3 cents above a year earlier but 9 cents below January.

Farm prices gained over last year because of reduced stocks and improved foreign and domestic demand. With the usual seasonal increase in milk supplies, prices received by farmers in the second quarter of 1965 may average about the same as last year.

Dairy ration values are about the same as a year ago. Despite a 2 percent smaller hay supply, prices for hay have been about the same as last winter. The drop in number of dairy cattle together with heavier grain feeding probably has lowered hay requirements. It appears that concentrate and roughage supplies are adequate.

Commercial use of dairy products is expected to gain again in 1965, but domestic donations will decline because

of low CCC supplies in early 1965 caused by heavy export sales.

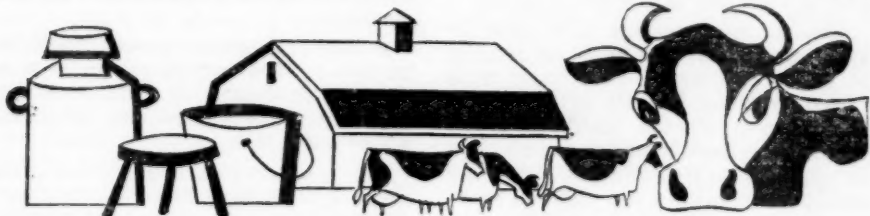
Dairy price support purchases by CCC were lower in 1964 than a year earlier but commercial exports under the Payment-In-Kind export program were higher. Surplus removed from the domestic market is increasing seasonally in the first quarter of 1965 and, because of production gains, may be slightly above removals a year earlier.

A revised PIK program for butter exports became effective December 15. It is similar to the modified program for nonfat dry milk in effect since last August. The new program requires that exporters, in their offers to USDA to ship, specify the volume of product and the PIK rate at which they are willing to ship.

Record overseas movements of butter and nonfat dry milk during 1964 reduced CCC stocks on January 1 sharply below a year earlier. Total stocks of manufactured dairy products at the end of the 1964-65 dairy marketing year on March 31 are expected to remain at about current levels.

World demand for dairy products continues strong, but milk production is rising over a year ago in Western Europe—the principal commercial market for U.S. butter and nonfat dry milk exports last year. Southern hemisphere shipments have increased over a year earlier and seasonally, causing United Kingdom stocks to rise. Also premiums for some continental butter above New Zealand and Australian butter prices have fallen on the London Provision Exchange.

Anthony G. Mathis
Economic Research Service



NATION'S STOCK OF WHEAT DOWN 11 PERCENT ON JANUARY 1

Stocks of wheat held in all positions on January 1 amounted to 1,442 million bushels, 11 percent below those of a year earlier. This is a fourth less than the 1959-63 average. Some 1,052 million bushels were held off farms with the remaining 390 million on farms.

About 63 percent, or 902 million bushels, of the January 1 stocks were owned or controlled by the Commodity Credit Corporation compared with 70 percent a year earlier. Of this, CCC owned 712 million bushels and 190 million were under loan—about 138 million bushels from the 1964 crop and 52 million bushels under resale from earlier crops.

The supply of wheat for 1964-65 season is estimated at 2,195 million bushels.

Use of wheat for food is expected to total 480 million bushels; for seed, 70 million; and for feed, 65 million bushels. This domestic disappearance, together with estimated exports of 675 million bushels, indicates a total disappearance of 1,290 million bushels. Because this disappearance is about the same as the production estimate, carry-over on June 30, 1965, is expected to be about the same as a year earlier—905 million bushels.

The average price received by farmers for 1964-65 is estimated at \$1.38 per bushel. Monthly prices received by farmers continued to run above support all during harvest and rose steadily each month through December when they averaged \$1.39. In January of this year the farm price of wheat declined 1 cent and in February it dropped further.

The national average loan rate for 1964-crop wheat has been established at \$1.30 per bushel. Loan rates were raised by about 6 cents per bushel in the heavy-producing Southern Great Plains to reflect reductions made last fall in railroad freight rates. This had the effect of raising the national average loan rate to \$1.32 per bushel.

Farmers participating in the 1964 Wheat Program received supplementary payments in the form of marketing certificates. The additional income from these certificates has not been included in the season average price received by farmers. A similar situation existed in 1963-64. Under the 1963 Wheat Program, a direct payment also had been made to farmers but it did not constitute as important a part of their income as did the 1964-crop payment. These basic changes in program concepts no longer make the price received by farmers an accurate or complete measure of farmers' returns from wheat.

The season average price for wheat in 1963-64 was \$1.85 but, with the price support payments of the 1963 program included, the adjusted price is \$1.92. With the inclusion of the marketing certificate payments in 1964-65, the adjusted season average price received by all farmers is raised from \$1.38 per bushel to the blend price of \$1.69. This is an increase of 31 cents per bushel over the actual season average price compared with an increase of 7 cents in the adjusted season average price for 1963-64.

The farmer participating in each of these wheat programs actually received a greater differential over the season average price than is indicated because these "adjusted" averages include all of the nonparticipants. An approximation of the "adjusted" price received by the farmers participating in the 1964 program would be about \$1.80 per bushel, based on the \$1.38 season average price to all farmers and usual distribution of both certificates on normal production.

Farmers had placed about 193 million bushels of 1964-crop wheat under loan through February 28, 1965—the last day that farmers could put 1964-crop wheat under loan.

The quantity placed under the price support program through February 1965 was about 20 million bushels more

than from the 1963 crop a year earlier. The quantity outstanding under loan from the current crop on this date was about 53 million bushels above last year. There was less under resale on February 28 than on that date a year earlier.

PIK certificates earned on wheat exports are now redeemable in any CCC-owned commodity offered for sale, under a regulation issued or upon announcement by CCC providing for redemption of such certificates. Tobacco under loan is also available upon CCC announcement. Formerly wheat certificates were redeemable only in wheat.

Until late October 1964, all export payments for wheat flour were made in cash regardless of the type of program. Since last October, the entire cost of donation flour and bulgar for both domestic use and export has been paid for in PIK certificates. Wheat redeemed with these certificates, as in the case of the PIK wheat grain, must be exported. Based on the level of the flour and bulgar donation programs in recent years, about 60 million bushels of wheat

a year could be supplied by CCC under this provision.

On recommendation of the United States, the present International Wheat Agreement, scheduled to expire on July 31, was extended by the members for 1 year, subject to approval by their governments.

In 1965, for the first time, substitution will be permitted between wheat and feed grain acreages for farmers signing up for both programs. Price support loans are available to producers on feed grains planted on wheat acreage but not eligible for price support payments on these feed grains. Wheat planted on feed grain acreage also is eligible for loans but not for domestic or export certificates.

The national average price support loan rate for wheat is \$1.25 per bushel, 5 cents less than for 1964. The domestic certificates will be 75 cents per bushel, 5 cents more than in 1964 and the export certificates will be 30 cents per bushel, also 5 cents higher.

William Askew
Economic Research Service

1964 LAMB CROP DOWN 7 PERCENT

The Nation's 1964 lamb crop totaled 17,905,000 head, a decline of 7 percent from the previous year's crop. The 13 western sheep States (11 Western States, South Dakota, and Texas) produced 7 percent fewer lambs than in 1963 and 11 percent fewer than average. The lamb crop in the 35 native sheep States (excluding the 13 Western States and Alaska) was down 6 percent from the previous year and 20 percent below average. Texas, which produced about 15 percent of the Nation's lambs, had a lamb crop 7 percent below 1963 and 15 percent below average.

The number of lambs saved per 100 ewes 1 year of age or older on farms and ranches on January 1 for 1964 was 92, down 2 points from the 1963 percentage. The Western States lambing percentage, at 86, was down 3 points from the 1963 percentage, but the native States lambing percentage, at 106, was up 2 points.

The 11 Western States plus South Dakota, and Texas produced a lamb

crop of 12,037,000 head, 7 percent below 1963 and 11 percent below average. Both the decline in the number of breeding ewes, and the decrease in the lambing percentage contributed to the smaller lamb crop in 1964. The number of breeding ewes 1 year old and older on farms and ranches on the first of last year was 13,919,000 head, 4 percent less than a year earlier and 6 percent less than average. The number of early lambs (dropped before March 15) in the Western States was 7 percent below a year earlier.

The 1964 lamb crop in the 35 Native States (excluding 13 Western States and Alaska) totaled 5,863,000 head, 6 percent below a year earlier and 20 percent below average. The drop is the result of fewer ewes 1 year old and older. In the 35 Native States, the lamb crop was smaller in 24 States, unchanged in 5 States, and larger in 6 States.

F. W. Griffith
Statistical Reporting Service

U.S. CATTLE AND CALVES UP FOR 7TH STRAIGHT YEAR

The number of cattle and calves on farms was at a record 107.2 million head on the first of this year, up from the 106.7 million a year earlier—the seventh consecutive annual increase. However, the gain was the smallest since 1959 when the upswing in the current cycle began. Animals kept for dairy purposes declined 3 percent, but the number of beef cattle increased 2 percent. Thus, capacity to produce beef is up again this year. Although some adjustments were made in the cattle inventory last year, the calf crop will be larger in 1965 than it was last year.

With the large increase in slaughter last year—up 12 percent over 1963—the total inventory increased only slightly. An increase in slaughter this year of 1 to 2 percent would halt the buildup in numbers and result in a slight downturn in numbers. In view of the continued heavy rate of slaughter through February and the expectation that slaughter will at least equal year-earlier level during the rest of the year, it appears likely that the number of cattle will decline slightly during 1965.

During January of this year the price spread between Choice and Good steers at Chicago averaged about \$1.70 and increased during February as marketings of highly finished cattle declined. If feeders continue to market in an orderly fashion and do not delay marketings by feeding to heavier weights, the supply of high Choice and Prime cattle probably will continue below year-earlier levels.

Since last summer, feeders have been moving cattle to market at lighter weights and after a shorter period on feed. However, if marketings are delayed, any short-run gains from increased prices likely would be more than offset by increased production later on and a corresponding decrease in price.

Fed cattle marketings are expected to continue large through the second quarter. However, slaughter rates are expected to be below the extremely high levels of last spring and weight per head is expected to be down. Thus,

fed beef production will probably be slightly to moderately smaller than last spring.

The number of steers weighing 700-900 pounds on January 1 and heifers weighing 500-700 pounds was unchanged from 1964. However, slaughter supplies in the spring months likely will be slightly below year-earlier levels. The bulge in supplies last spring was caused to a large extent by the substantial number of heavyweight feeder cattle placed on feed in the winter months and marketed in the spring. This situation is not expected to be repeated this year.

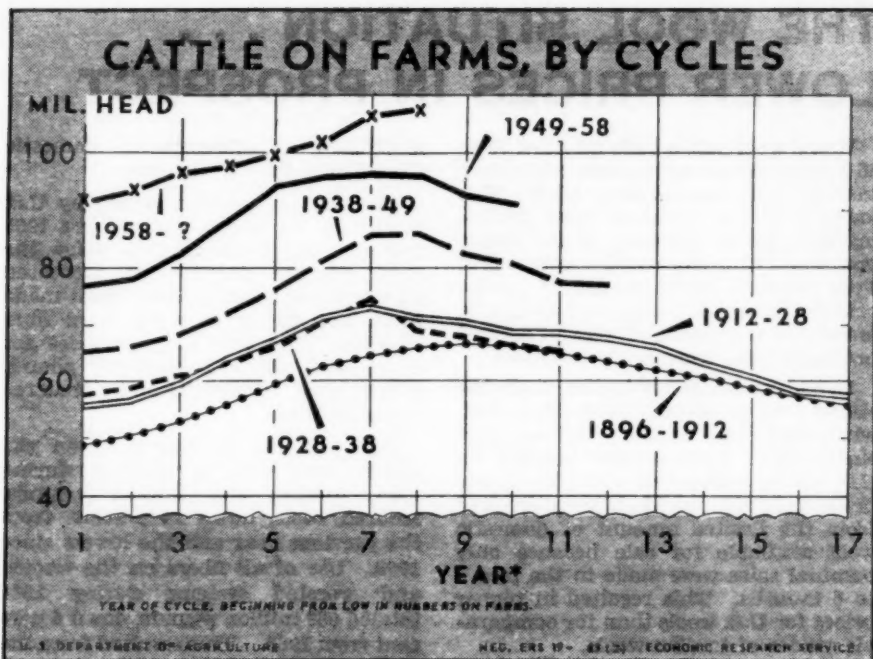
Last year, placements in the first quarter were up 23 percent from 1963. It is not likely that placements during the first quarter will exceed those of last year. If first quarter marketings out of feedlots average 3 to 5 percent above year-earlier levels, placements equal to last year would result in about 1 to 2 percent fewer cattle on feed in April. To hold the April 1 number on feed at last year's level, placements would have to be up 3 to 4 percent during January-March.

In view of prospective supply and demand conditions, fed cattle prices this spring likely will average well above the year-earlier average of \$21.12, but likely will decline a little from mid-February levels.

With prospects for continuation of more favorable feeding margins during the next few months compared with a year earlier, placements in the first half of the year are expected to be large. If so, fed cattle marketings likely will equal those in the second half of 1964. Prices probably will average near year-earlier levels.

HOGS

With the June-November 1964 pig crop—the main source of slaughter hogs during the first half of 1964—down 8 percent from a year earlier, hog slaughter through midyear likely will continue well below year-earlier levels. Slaughter supplies may not be off quite



as much early in the spring but likely will drop off sharply again as summer approaches.

If expansion in farrowings gets underway this year, it probably will not be reflected in slaughter supplies until late this year or early in 1966. If an expansion occurs, spring and summer marketings likely will be reduced further as gilts are withheld from slaughter for breeding.

Hog prices likely will continue strong until supplies increase seasonally this spring. Although prices may decline a little during some weeks this spring, late spring and summer prices likely will be considerably higher than in 1964.

In view of the monthly farrowing pattern, prices likely will peak in early summer and at a substantially higher level than last year. Prices in late summer likely will fall off more rapidly than last year but still average well above year-earlier levels.

LAMBS

The 1965 lamb crop is expected to be down 3 to 4 percent from last year be-

cause of the 4-percent reduction in the number of ewes 1 year old and older.

Slaughter rate likely will continue well below year-earlier level most of this year, but probably not at the same rate as in January and February. Slaughter lamb prices likely will continue well above year-earlier levels through most of the year in response to smaller slaughter supplies.

Feeder lamb prices likely will increase a little this spring and follow any price movement in slaughter lambs. This likely will be a profitable year for producers, especially those who can feed out their own lambs.

MEAT PRICES

Large supplies this spring likely will hold beef prices near current levels. Wholesale lamb prices likely will continue well above year-earlier levels this spring because no basic change is expected in the supply-demand situation. Pork loin prices are expected to remain well above year-earlier levels through most of the year in response to smaller slaughter supplies.

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THE WOOL SITUATION . . . LOWER PRICES IN PROSPECT

World wool prices have declined 20 to 25 percent since March 1964, when they were at their highest since 1957. This lower price level resulted from declining mill use of raw wool in the major manufacturing countries, larger world wool supplies, shifts to use of lower-priced man-made fibers, and changing monetary and fiscal policies in several producing and consuming countries.

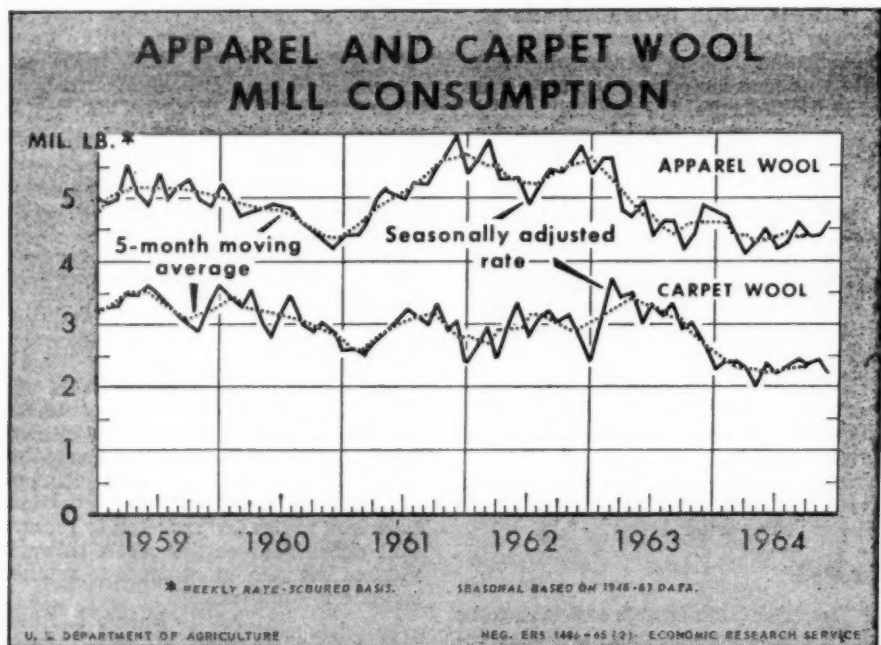
In contrast, U.S. wool prices have declined 5 to 10 percent since May 1964, when they were at their highest level since 1957. This smaller decline in U.S. prices, compared with the larger price drop in world prices, resulted from the limited amount of domestic wool available for sale because only nominal sales were made in the past 4 to 6 months. This resulted in higher prices for U.S. wools than for comparable grades of foreign wools.

With continued large supplies, world wool prices likely will remain at about current levels during the first half of 1965, which probably will result in some

downward adjustments in domestic wool prices during the year.

The average prices received by U.S. producers for shorn wool during 1965 probably will be moderately below the 1964 average because of increased blending and substitution of man-made fibers and to larger world wool fiber supplies. The 1964 average price for shorn wool was 53.2 cents per pound, grease basis, 10 percent above that received in 1963.

U.S. mill use of raw wool on the woolen and worsted systems during 1964 totaled 355 million pounds, scoured basis, down 14 percent from the previous year and the lowest since 1958. Use of all fibers on the woolen and worsted systems during 1964 totaled 699 million pounds, down 4 percent from 1963. This resulted from the significant increase in use of man-made fibers especially in the spinning of carpet and rug yarns. U.S. mill use of man-made fibers during 1964 amounted



to 176 million pounds, up 35 percent over 1963.

Apparel wool mill use during 1964 totaled 234 million pounds, scoured basis, down 7 percent for 1963 and the lowest since 1958. Use on the woolen system declined more than the use on the worsted system. Apparel mill use, at 1.22 pounds, was the lowest per capita use since 1958.

Imports of raw wool declined substantially during 1964 because of the lower mill use. Imports of dutiable raw wool, used mainly for apparel wool items, totaled 98 million pounds, clean content, during 1964—down about 10 percent for 1963.

Duty-free raw wool imports, used chiefly for carpets and rugs, amounted to 114 million pounds, clean content, down 32 percent from the previous year.

Australia continued to be the principal supplier of apparel wools, followed by South Africa, New Zealand, and Argentina. New Zealand was the chief supplier of the carpet wools, with Argentina, the United Kingdom, Pakistan, Iraq, Syria, and India also accounting for large quantities.

The import balance of U.S. foreign trade in semiprocessed and manufactured wool textile products during 1964 declined 9 percent from the record high in 1963 to 134 million raw wool equivalent pounds.

Imports of apparel wool textile products declined, but imports of carpets and rugs increased. In contrast, exports of apparel wool textile products increased; those of carpets and rugs declined. All major import categories of apparel wool textile products, except knit wearing apparel and blankets, declined in 1964.

The average mohair price received by Texas producers declined from \$1.10 per pound, grease basis, in March 1964 to 71 cents in January of this year. This resulted from increased production, moderately lower mill consumption, and a substantial decline in foreign demand for mohair. Large carryover stocks and an expected increase in production during 1965 likely will result in 1965 mohair prices averaging below those received in 1964.

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Economic Research Service

April 1965

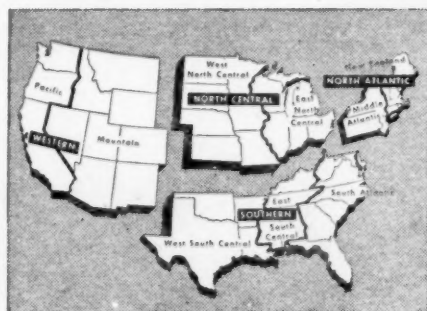
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